

Dear Readers,

While we are in some form of lockdown, a lot of unlocking has happened in the wealth of investors - Zomato has been listed with a lot of fanfare. This is momentous and has finally shown how startups that have scaled using venture capital funds, can finally list on the exchanges and smaller investors can participate in their story.

The valuation of the companies would be influenced heavily by the ebb and flow of investor confidence, however another factor that companies especially in China have had to contend with is the stern treatment meted out by Chinese government towards their 'tech' sector. China shelved the plans of Ant Financials, China's largest Fintech company, it suspended its homegrown 'Uber' equivalent, Didi Chuxing from the app stores after the company listed in the US and has now called for a regulation that would make all 'Ed-tech' companies become non-profit entities.

The last 18 months have shown us that our personal and business wellbeing can be at risk through a number of factors, some of which are outside of our primary causes of concern.

India won its first medal at the Tokyo Olympics and last month saw England lose the Euro Cup 2020. While India's celebrated Mira's victory, the English people went on a rampage in their streets - this often makes one wonder, if this same degree of passion could be brought to the work we do and how we can impact the lives of others, the world would be an infinitely better place to live. We are witnessing disruptions in business at an unprecedented scale and the next decade is one where we will have to be passionate about the work we do but also evaluate the prospects of our old business models in a dispassionate and unattached manner.

The right combination of passion and dispassion is required to be not stuck in the past and still bring the best results forward for yourself and your business.

Regards,
Dinesh D. Ghalla

COMPANY LAW

SMALL COMPANY – APPLICABILITY AND BENEFITS

Definition of Small Company under Companies Act, 2013 amended vide Finance Bill 2021 has been made effective from 1st April, 2021.

Amended definition of small companies as per Section 2(85) of the Companies act, 2013 is:

“Small company means a company, other than public company if both conditions are fulfilled:

- It has a paid up share capital less than INR 2 Crores (previously 50 Lakhs)
and,
- It has an annual turnover less than INR 20 Crores (previously 2 crores).

But following companies are not small company even though they comply with above 2 conditions:

- a holding company or a subsidiary company;
- a company registered under section 8 of Companies Act, 2013 (Not for profit organization-NGO)
- a company or body corporate governed by any special Act.”

To know more in detail, please [click here](#).

INDIRECT TAX (GST)

NO REVERSAL OF ITC IN RESPECT OF LOSS OF INPUTS DURING MANUFACTURING PROCESS

Manufacturing has emerged as one of the high growth sectors in India. Prime Minister of India, Mr Narendra Modi, launched the ‘Make in India’ program to place India on the world map as a manufacturing hub and give global recognition to the Indian economy. The manufacturing sector of India has the potential to reach US\$ 1 trillion by 2025. The implementation of the Goods and Services Tax (GST) will make India a common market with a GDP of US\$ 2.5 trillion along with a population of 1.32 billion people, which will be a big draw for investors.

The Hon'ble Madras High Court, in a recent decision on allowability of input tax credit, has accorded a major relief to the manufacturing sector.

To know more please [click here](#).

RESIDENTS' WELFARE ASSOCIATION LIABLE TO PAY GST ON MEMBERS' MONTHLY CONTRIBUTION ONLY ON AN AMOUNT EXCEEDING RS. 7500/-

Residents' Welfare Association (RWA) and legally elected bodies that manage housing societies, are free to charge maintenance amount from residents based on the size of members' flat. Usually housing societies levy maintenance charges as per the area of flat or on other variables if the apartments are of the same size. According to GST exemption notification No. 02/2018- Central Tax (rated) dated 25.01.2018, service provided by such association to its member for reimbursement of charges or share of contribution up to Rs. 7,500/- (earlier it was 5,000) per month per member for sourcing of goods or service for common use of member in a residential complex are exempt from GST. However, if aggregate turnover is more than Rs. 20 lakhs yearly, the society needs to register and pay 18% GST on member's contributions which are taxable.

Madras High Court while quashing the Authority of Advance ruling (AAR) and Circular No. 109 dated 22.07.2019 held that RWA liable to pay GST on the members' monthly contribution only on the amount exceeding Rs. 7,500/- not on the entire amount.

To know more please [click here](#).

FEMA

ARE YOU AN NRI PLANNING TO REMIT FUNDS ABROAD? HERE'S THE PROCEDURE TO COMPLETE THE PROCESS

There are times when Non-residents want to remit money outside India– to relatives as gifts, for education/medical purposes, investments etc. or simply transfer surplus funds to their own account in the country of residence. Your remittances abroad involve dealing with foreign exchange and therefore, are governed by the Foreign Exchange Management Act, 1999 (FEMA).

Additionally, the authorized dealer banks need to verify that your remittance in compliance with the Income Tax Laws i.e. tax has been duly paid on funds being remitted and TDS, if any has been deducted. In this article, we are covering the essential aspects for NRIs for remitting funds abroad.

To know more please [click here](#).

NBFC

DETAILED NOTE ON NBFC

A Non-Banking Financial Company (NBFC) is a company holding registration from the RBI to do the financial business of lending and acquisition of shares/ debentures/ other securities etc.

In India, a company cannot carry out financial activities as its principal business (i.e. when financial assets and financial income, both, are more than 50% of total assets and total income respectively) unless it is registered as NBFC with RBI or registered with another financial regulator. Also lending activities by non-corporates requires a money lending license for getting protection in case of default by the borrower.

HNIs and big corporate groups proposing to do lending activities and also other financial investments, can consider NBFC as a preferred mode for carrying out such lending and investment activities. A Company registered as NBFC with the RBI not only provides a legal structure to do financial activities but it also offers various other advantages as covered in the attached note.

To know more please [click here](#).

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